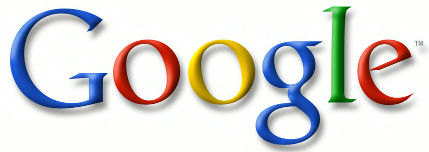

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EQUITABLE TAXATION:

OR,

THE DEBTORS' LIEN.

BY

MANLEY HOWE,

OF BOSTON.

BOSTON:

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376 BROADWAY.

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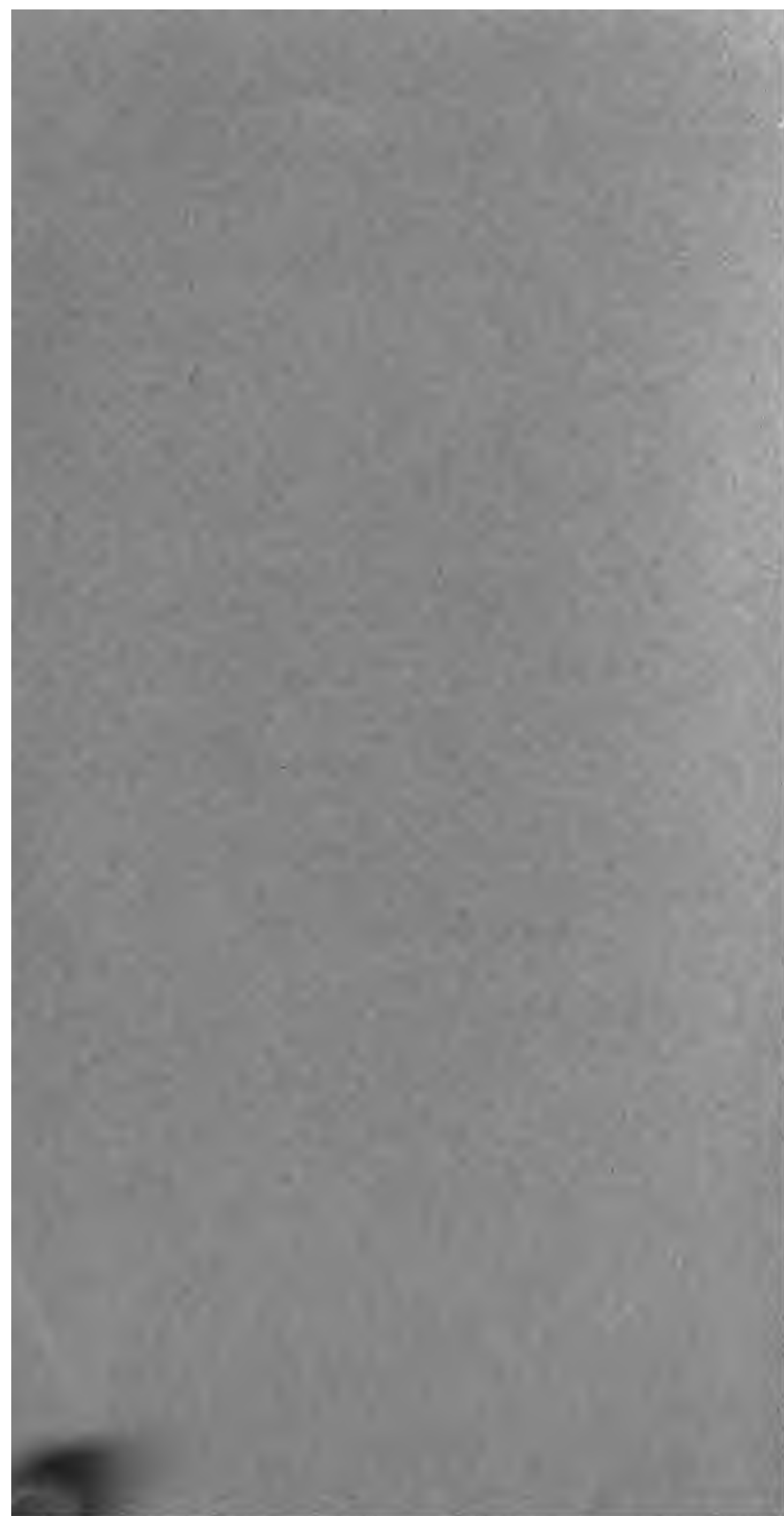

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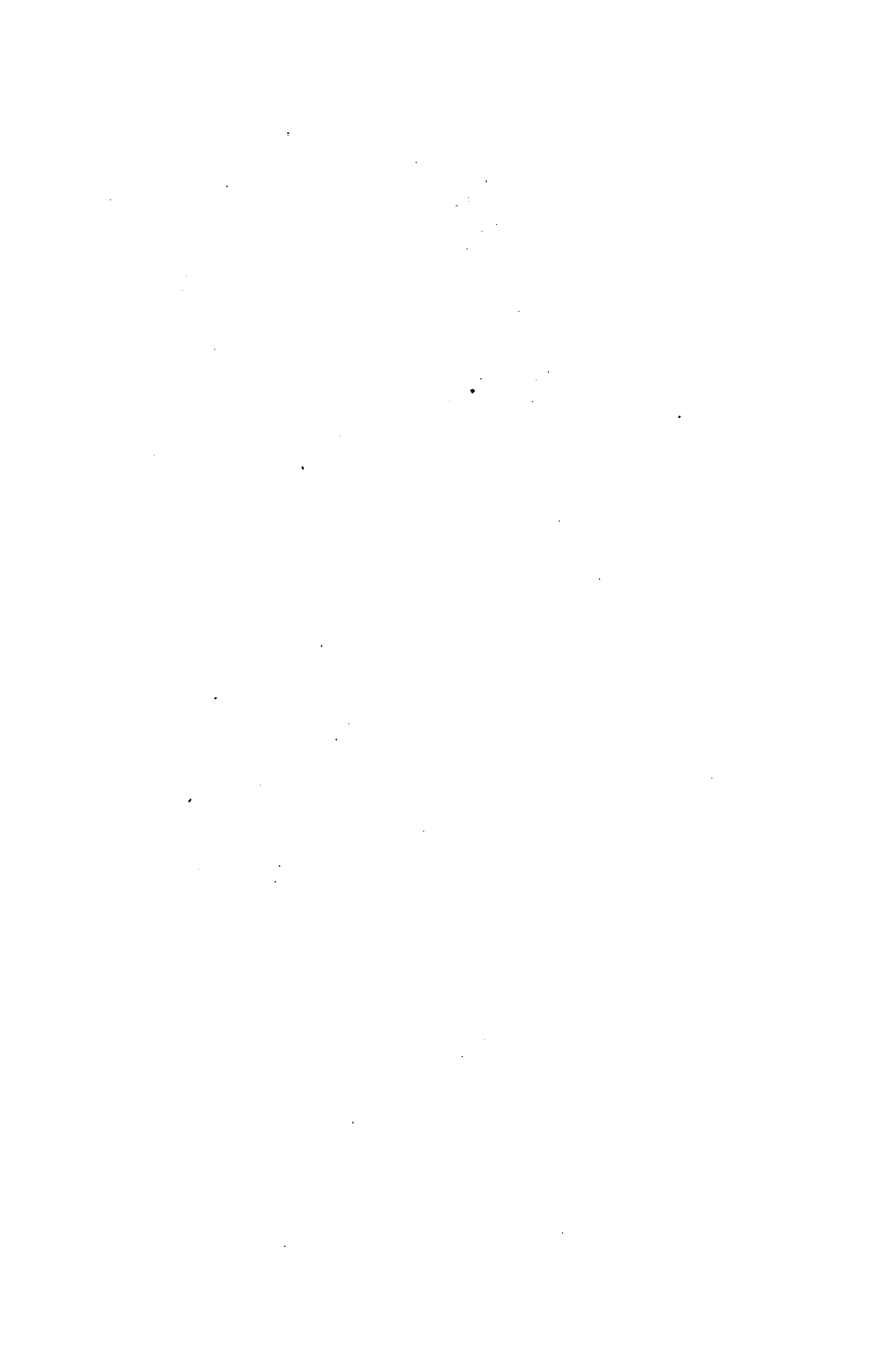
ABOU BEN ADHEM.

Abou Ben Adhem (may his tribe increase!)
Awoke one night from a deep dream of peace,
And saw, within the moonlight of his room,
Making it rich and like a lily in bloom,
An angel writing in a book of gold.
Exceeding peace had made Ben Adhem bold;
And to the presence in the room he said,
"What writest thou?" The vision raised its head,
And, with a look made of all sweet accord,
Answered, "The names of those who love the Lord."
"And is mine one?" asked Abou. "Nay, not so,"
Replied the angel. Abou spoke more low,
But cheerly still, and said, "I pray thee, then,
Write me as one that loves his fellow-men."
The angel wrote, and vanished. The next night
It came again, with a great awakening light,
And showed the names whom love of God had blest;
And, lo! Ben Adhem's name led all the rest.

LEIGH HUNT.



TAXATION.

One of the great privileges of our republican form of government is the acknowledged right of every citizen to a full discussion of any and all subjects pertaining thereto. This leads the private citizen as well as the statesman to take an interest in all political matters connected with his individual calling, as well as those of a wider scope. Thus in all matters that relate to the subject of taxation, all are individually interested; the subject has been discussed and re-discussed throughout the States, with varying success, under many and conflicting interests, yet with a steady improvement of minor interests for the better.

The General Court, in 1874, passed a Resolve creating a commission to inquire into the expediency of revising and amending the laws of the State relating to taxation and the exemption thereof. This report was submitted in January, 1875; and so far as a complete digest of the subject is concerned, nothing is wanting, they having drawn from every source connected with the first Acts passed down to the present time. We have examined this report for the purpose of learning the opinions of those making the subject a study, and for the purpose, also, of finding therein some recommendation of relief to a large class

of tax-payers who for a long time have endeavored to have some change adopted which would relieve them of the oppressive burdens of the present law. Some recommendation of minor importance we find, but no relief to that class who ask it, and need it; but, on the contrary, reasons why no change should be made. And we here give you their opinions. The Commissioners say, in their judgment, "Any change must necessarily involve the unsettlement of some time-adjusting pressure, requiring for any new tax imposed, and any old one repealed, a fresh adjustment, with many inconveniences certain, and many inequalities probable during the process. A wise man will not lightly propose it, *whatever the existing system may be.* Especially where a tax system has been long followed by an increasingly prosperous community, any radical changes should be most carefully weighed before they are adopted." Again, they say, "There are certain clear limits within which our tax-levies are bounded by the Constitution of 'Massachusetts and the Constitution and laws of the United States.' And under these limitations, three restrictions upon the Legislature are clear. First, the taxes must be proportional and reasonable; second, they must be levied for objects within the general purpose enumerated; third, the assessments must be laid upon a valuation renewed at least every ten years."

The purposes enumerated are as follows: Necessary defence and support of the Government of said Commonwealth, and the protection of the subjects thereof.

The Commissioners further say: "The theory

governing the apportionment and assessment is, that all who are bound to contribute to the common charge shall do so in proportion to ability."

The three essential points required are proportional and reasonable assessments of taxes, according to ability to pay.

These are the principles laid down, and they all point to an equitable adjustment of taxes, according to each tax-payer's ability to contribute to the public charges. The question, then, to be considered, is whether the present laws fulfil these requirements.

If they do, no change is called for; if not, they should be made to fulfil these requirements, if within the power of legislation. The Commissioners have overlooked the fact that any amount of capital is taxed in Massachusetts which does not exist, and the laws tax this supposed capital without the least shadow of right or equity. This fact has been clearly pointed out by political economists; yet no note has been taken of it. It was clearly the duty of the Commissioners to have cleared this matter up, and disapproved these declarations, if they were not correct, instead of passing the whole subject over in merely transmitting the facts as they now exist as to law, leaving the frauds perpetrated upon the people almost without notice. When we examine this fact, we naturally enough look for a reason, and we find the same reason existing now which has existed since the dawn of governments, modified only by the intelligence of the people oppressed; they having fought their way to a higher plane of moral and legal rights, by discussing among themselves their wrongs, and demanding, through

this accumulated strength of reason, those reforms in government which alleviates their social condition. And this is what we have now to do in order to rid ourselves of these unjust tax-laws. Few of those citizens who will not be benefited by a change are charitable enough to declare the present tax-laws wrong; these facts must come from other sources than these. The necessity felt must be the prime mover of the reform always, and the necessity never was greater, or a reform more justly called for by the people, or one more beneficial to our social relations, both to the rich as well as poor. For we contend it is not well for a community that three-fourths of its inhabitants shall be paupers. Business cannot prosper in such a community; intelligence and social relations retarded; everything estopped short of what should make up a prosperous and happy community. Who are there to-day that would like to change the present state of society even for that of a hundred years ago? Not one even of those who objected strongest against such changes. And we must certainly acknowledge a great improvement for the better in laws, the social relations, arts, and sciences. Then let us profit by the past, and press forward to even radical changes, although deprecated by our Commissioners, who were delegated to make wrong right. If they have not done this, they have done the next best thing: they have placed before us the facts as they exist in law, with a caution to be careful how we change them, so long as we are prosperous. This is well; all laws should be well weighed before accepted. But the weight of these tax-laws cannot

longer be borne. In all laws upon taxation there appears always a persistent effort upon the part of Government to place upon the weaker this burden. It arises, no doubt, from the fact that men of means generally have the making of laws; and a selfish interest in shifting their burden upon others, thus relieving themselves as well as an influential class of their constituents, is the cause of its present state.

The law, and its unreasonableness, is getting to be much better understood than formerly; and a very general movement has already taken place calling for reform, which is only a question of time as regards the result, which will, no doubt, benefit all classes, by making pauperism less, and prosperity more general, which should be the desire of all citizens.

We recommend the following rules as the basis of a law for the purpose of assessing and collecting taxes, and the following reasons why we recommend them: —

1. The poll to be assessed upon each taxable person on the first day of May of each year, at two dollars each, the payment of which carries with it the right to vote.

Aliens and minors excepted.

2. All personal estate within the State to be assessed in the city or town wherever found, on the first day of May of each year, to the owner thereof, if in possession; if not, to the person having possession.

Except property in transit in the hands of carriers. When in transit, it shall be assessed at the place of consignment to the consignee, whether owner or not. Except also ships and vessels at home or abroad.

3. Any persons paying taxes upon property in their possession, and not theirs, to have a lien upon such property and owners for the repayment of the taxes so paid.

4. Real estate to be assessed in the city or town where the estate lies to the owner thereof, if in possession; if not, to the person having possession.

A lien to be given upon the estate and owners for repayment of taxes, if paid by the person having possession.

If the estate is mortgaged, the mortgagor to have a lien upon the mortgagee for his proportional amount of taxes upon the amount due him upon the mortgage note.

5. Debtors to have a lien upon their creditors for their proportional amount of taxes upon any debts or claims their creditors hold against them on the first day of May of each year, the amount due the debtors upon their lien to be credited by their creditors to their debtors, and counted as part payment of the first interest due after the first day of May; but if the debt is credit given on book-account, or other claim, the sum to be credited on account.

6. Income to be assessed upon each taxable person where he or she is an inhabitant on the first day of May in each year.

7. No agreement allowed in regard to the payment of taxes between debtor and creditor, other than that established by laws relating to taxation.

The above is a synopsis of the changes recommended. It is clear the objective point is to tax every species of property of every name or nature.

While Government reserves to itself the right to tax tangible property only, this in fact is all the property there is in existence. All claims printed or written upon paper are merely liens upon such property. The debtor being subject to a lien upon his property in execution of forced payment, Government gives the debtor a lien upon his creditor, which leaves the debtor to pay taxes only upon his actual worth over and above his liabilities.

The Constitution of Massachusetts clearly defines and points out the course to be pursued by the General Court in regard to the taxation of its citizens, as follows: —

Art. 4. Full power and authority are hereby given and granted to the said General Court . . . to impose and levy proportional and reasonable assessments and taxes upon all the inhabitants of and persons residing in and estate lying within the said Commonwealth, and also impose and levy reasonable duties and excise.

The laws enacted from time to time to carry out the principles laid down in the Constitution are voluminous. The subject is fraught with so many difficulties, that the laws have become overburdened with detail, and its true import not easy of comprehension. The courts have decided the tax-laws Constitutional, while they fail in many points to be equitable or proportional.

In forming a tax-law, the principles upon which it is founded should be as few as possible, keeping in view always these principles,—never deviating to the right or left, true to one objective point,—equitable taxation according to each tax-payer's ability to pay.

Government, for some reason not found in the Constitution of the State, taxes all the property in the State, and what it can of that out of the State. It taxes all property found in possession of the debtor, and then taxes this same property to the creditor. It then taxes corporations a franchise tax for doing business here from foreign States, — Maine, New Hampshire, Vermont, Rhode Island, Connecticut, and New York. These same privileges, no doubt, are extended by those States to Massachusetts; whether we make a profit or lose money by this process does not appear. The United States exempts all the wealthy people of our State, and for this privilege the wealthy distribute this tax upon the medium classes and poor, thus in their way equalizing taxation. This process we object to on the ground that it is not according to the spirit or intent of the framers of the Constitution. The principles therein expressed are clear and to the point. But the principles so enunciated are not found in the laws enacted from time to time to carry out these principles. No doubt the greatest difficulty to be overcome in establishing a just and equitable tax-law, according to the principles expressed in the Constitution, will be found in getting together a General Court with sufficient self-denial to act independent of their individual interests. And in order to bring about this desired position of the General Court, it may be found necessary to make the subject of equitable taxation a political issue. No political reformation is more worthy of being made the principal plank of any political platform hereafter to be considered, than that

of taxation; and in order to place it in this light before the people is the main object of this treatise.

The subject is one which vitally interests every citizen and every person. Therefore, every citizen should make himself personally interested, by taking an active part in accomplishing this desired reformation in taxation.

POLL TAX.

The principle upon which this tax is levied is not well defined, being arbitrarily assessed at so much per capita, which for the last few years has been assessed in different towns throughout the Commonwealth at different rates, ranging from two to four dollars. If this is equitable, we can see no reason why it can be limited, unless the Act of 1828 is still in force, limiting the amount to one-sixth of the amount assessed. But this appears to be unconstitutional, and should not be enforced. The Commissioners say, in their report, "That the theory of assessing the poll is, that a reasonable part of the tax, not exceeding one-sixth, and not more in case of any individual than two dollars."

This theory does not seem to be followed to any extent. If the limitation in amount to two dollars per year was strictly adhered to, we believe it would give general satisfaction to the tax-payer. This tax has never been assessed according to ability to pay, or any other principle. Many contend that the tax should be assessed according to, or in proportion to, the amount of the tax raised, limiting the minimum amount to a certain sum, and increasing this sum in a regular ratio, according to the sum-total to be assessed. This rule was recommended by the Commissioners, in their report, upon the principle that the

poll-tax payer had not sufficient responsibility, and might in certain localities become so numerous as to control the vote, and by this means vote other people's money from their pockets for unnecessary purposes. We have no statistics by which we can give the increase of this class of voters. We have, however, the Commissioners' report, which gives the number of polls in Boston in 1874, which was 84,684, of which 66,415, or over seventy-eight per cent., were assessed upon polls only. This leaves twenty-two per cent. to pay the enormous amount of taxes annually collected in Boston. It is sad, indeed, that twenty-two per cent. should be obliged by law to pay this tax, while seventy-eight per cent. escape with only the poll to pay. It is a little singular, that only twenty-two per cent. have any tangible property to assess. If we had a law taxing the poll in ratio to the amount raised, we might in a few years add five per cent. more to the seventy-eight, and crowd the whole tax of Boston upon seventeen per cent., while eighty-three per cent. would escape other than the poll tax. And having now full responsibility for money voted, they would be under the lawful control of the said seventeen per cent.

Now, supposing a few of these eighty-three should step up to the lobby of the State House some day, and find there a few of the capital seventeen ready and willing to pay divers sums of money to the law-makers for some quiet monopoly, such as a railroad for the good of the public; road-bed free of tax, on the principle that it is a great benefit to the people, while the people are no benefit to the road.

Or it may be a gas company that is wanted, which would like the privilege of knocking our roads or streets into any number of pits, whenever necessary, for the privilege of furnishing gas at three dollars per thousand to the anxious public; it makes no difference as to price of coal; can furnish it at three per thousand whether coal is ten or four dollars per ton. Or it may be the Hoosac Tunnel they would like the control of. Among the rest, a poll-tax law, which will enable good and responsible tax-payers to control the dangerously increasing poll-tax payers within proper bounds of franchise. Without jesting further, we doubt if it occurred to some of those Commissioners,—certainly it is not mentioned,—that the greatest danger we have to contend with are monopolies created by Government for capitalists. Men of small means cannot afford such luxuries. The danger that the Commissioners allude to, no doubt, is that which has controlled New York City; and not only that, but the Legislature of that State. Yet this may be said to have emanated from the same source. Money still was the power which moved the machinery that did this disgraceful work. Money is power. With it we may govern a legislature, sit in the Governor's chair, and, no doubt, it has bought a court. It would be better for the community at large if money was more equally divided; rates of interest would be uniform; and if the medium classes amounted to seventy per cent., instead of that number of poor, business would be lively and prosperous. There is no better way to bring about this prosperity, than by relieving the poor of the enormous taxes they have to pay, both direct and

distributive. Therefore, what principle can we adopt in regard to the poll-tax payer which will recommend itself to every one as being equitable, and not unreasonable or excessive? Every person's life is equally dear to themselves; every person desires equality before the law, and the right of citizenship. All of these are equally dear to each tax-payer; then upon the principle of equal personal worth, we require equal personal protection, which calls for an equal assessment upon each poll. Two dollars has very generally been assessed, as being not excessive; and it may be claimed proportional and equitable upon the principle suggested.

Aliens, with the exception of the right of franchise, are equally protected. Even the sum of two dollars may be hard to pay for those who are dependent upon their daily labor for a living; but as the non-payment of the tax would merely debar them the right to vote, this would create little hardship, if any.

If the poll-tax payer rightly understood that distributed taxes were placed upon every necessary and every unnecessary article which he consumes, he would not readily vote for any unnecessary expenditures, either directly or indirectly, as all taxes and expenditures must be paid for out of the profits upon articles consumed. But as the poll-tax payers are often, as well as others, approached for the purpose of securing their votes by the payment of money, or its equivalent, both parties, upon evidence to that effect, should be punished by fine or otherwise. And if this payment could be traced to the party receiving the vote, he should lose his office, if elected, and also be fined.

PERSONAL PROPERTY.

Under this head is included all property other than real estate. All property in law is divided into two classes, real and personal estate. Everything movable of value as property is denominated personal property, in contradistinction to real estate, which consists of land and the fixed property upon it.

We can easily perceive what an amount and variety of property is included in this class, and the difficulty of bringing it within the reach of the assessors for the purpose of taxation, it being easily transferred from one to another, and concealed in various ways. So effectually can this be done, that it is impossible for the assessors to find large portions of it, especially that portion which is called property, and consists of evidences of credit. So difficult, indeed, has it been found, that all laws enacted for the purpose of levying taxes upon this class of property have virtually been condemned by the public as being unjust and inefficient to that extent, and for these reasons there are many advocates to-day for an entire exemption of this class of property; recommending instead, that real estate alone be taxed. It being tangible and fixed, it cannot be spirited away, always reliable, once assessed cannot fail of being collected. These advocates contend that real estate being that class of property

which must be used by every one, either directly or indirectly, that taxes assessed upon this property will diffuse and equate upon each tax-payer, according to each person's ability and means to pay. Thus the real-estate owner is assessed upon the value of his estate; this amount he apportions out upon his tenants; they in turn shift it upon their customers; here it reaches the consumer, it being no further diffusible. It is generally understood, that through this method of diffusion the consumer ultimately pays all taxes. That this is done equitably by the process named is not possible. All business must pay a living profit, or it cannot exist, which is self-evident; therefore every item which adds to the cost must go to make up the selling price, in order that a living profit may be obtained; consequently a man with small means will be obliged to pay the market price for all goods he buys, and we well know he often pays more through a want of credit. We see plainly by this, that all taxes diffused and equated upon goods through this process are placed out of proportion upon the man with small means. We admit that the taxes are diffused, but not equated or proportional according to each person's ability to pay.

Yet we will always be obliged to submit to this process in a great measure, as it is a principle of business to add the taxes to the rents by property-owners; and as this is purely a business transaction, it must regulate itself through competition, upon the principle of demand and supply. But we must be excused from accepting the theory of exempting personal property altogether, and assessing the whole of our

local tax upon real estate alone, as the proper source of raising all taxes.

Supposing, for instance, you owned real estate upon which there was a mortgage of two-thirds its value, and as this class of property only was taxed, the rate was twenty dollars per thousand, and you were unable to rent it for a long time. This would be clearly taxing you unjustly, and would doubtless create exceeding hardship for you. In the instance given, you being a debtor made the hardship greater. Therefore, in framing a tax-law, it is our duty to shield the debtor, and see to it that he has his rights. In all laws upon taxation which have been enacted heretofore, the debtor seems never to have had any rights which the legislator or capitalist were bound to respect. Therefore this theory of diffusing taxes, we believe, is not the best for the debtor. Under our present law, we have the full benefit of it, and we need not resort to the very doubtful experiment of exempting personal property for the purpose of testing it further. If we are able, under existing difficulties, to collect thirty per cent. of our entire tax from personal property, it is not, we believe, a hopeless undertaking to realize an equitable tax from this class of property.

Should we exempt personal property, we would exempt many large property-owners who would have little, if any, taxes to pay upon the process of taxing real estate only. Taxing real estate exclusively would change the market value of both real and personal property, to the great detriment of one and the increased value of the other. A single person, whose whole property consisted of State, county, and city

bonds, to the amount of half a million, would be benefited many thousand at once by the change; and then, again, what amount of diffused taxes would reach this man through the process of taxing real estate only; not so much as would reach many men worth as many hundreds as this man thousands.

The Commissioners, in their report, say: "We are obliged to take issue at the outset with the eminent authority which insists upon the tendency of all 'taxes to equate and diffuse themselves.' Such a doctrine has some plausibility. In certain cases taxes will undoubtedly equalize and diffuse themselves; but as a uniform doctrine, it is condemned by facts, and justified by no sound economical theory. Instead of diffusing themselves, the tendency of taxes is to stay where they are laid; in other words, the tendency is, that they must be paid by the actual person upon whom they are levied."

No system of taxation will be acceptable to the people unless based upon the principle of each taxpayer's ability to pay the taxes assessed. Such a system as we believe will accomplish this we will attempt to explain, and its reasonableness.

All persons having property in their possession, either own it in their own right, are indebted for it, or it is held for others. If a merchant is doing business for himself, he either owns the goods he has for sale free from encumbrance, or he is indebted for them; if indebted for them, they are subject to be levied upon in execution for the debt; therefore, not his absolutely.

The condition of the property Government need

not take into consideration for the purpose of taxation. The property held is sufficient security for the taxes, and Government may rightly enough assess the person having possession of the property (if the owner is not at hand), and give the person so assessed a lien upon the owner and property for reimbursement of taxes so paid.

This principle holds good throughout all debt and credit accounts. A person does not hold absolute possession of property until he has paid for it; or, in other words, it is subject to be levied upon for debt and be sold under forced sale by law, no matter whether the debt was incurred by the purchase of the goods so levied upon or not. Therefore Government has no right to tax a person for any more property than he is worth over and above his liabilities. How to ascertain the exact amount of each tax-payer's property over and above his liabilities would be a difficult undertaking, if Government was obliged to do this in order to tax a person according to his ability to pay. But this is wholly unnecessary. All the property Government has a right to tax consists of real estate, goods and chattels of every name and nature, excepting all book accounts or evidences of credits, which are not property, but liens upon property. These include all evidences of credits which have a lien, or the right of a lien, upon the tangible taxable property subject to the Government's right to tax. That the debtor may pay taxes only upon that amount of property he holds in his own right, we ask Government to give the debtor a lien upon the creditor for the tax upon the amount due him.

The best way to accomplish this by Government would be to pass a law, to be called the debtors' lien, which would, on the first day of May (or October, as the case might be), tax all creditors for the amount of their credits in favor of their debtors,—the creditor to credit the debtor with that amount of tax, and the debtor to debit the creditor the same. This would leave the debtor as well as the creditor to pay according to their ability, or actual worth.

The following is an illustration of taxing personal property under our present system.

A, B, and C are merchants. A is a wholesale dealer; capital, $500,000. B is a retail dealer; capital, $100,000. C is a retail dealer; capital, $50,000. B and C purchase their goods of A. B purchases $100,000 worth of goods for $100,000 cash. C purchases $100,000 worth of goods, pays cash $50,000, and gets credit for $50,000. It is clear that C has not the ability to pay taxes upon $100,000 worth of goods that B has, who had cash on hand to pay for his purchase. C, by the purchase, added nothing to his net capital; he is in debt for one-half of his purchase, $50,000. Yet Government, under the present law, taxes B and C for the same amount of capital; that is, $100,000 worth of merchandise each, on hand. C is worth neither more nor less than he was the day before the purchase, and had he been taxed that day he would have been taxed for his $50,000 cash in the bank. A had before the purchases of B and C, $500,000 worth of merchandise. He sold to B $100,000; to C, $100,000. For these sales he received $100,000 cash from B, $50,000 cash from C, and

charged C $50,000 on account. A has left of the merchandise $300,000 on hand, making his capital the same as before, $500,000 ; and upon this amount he can be taxed and has the ability to pay. B has the same ability to pay upon his $100,000 stock as he had upon his $100,000 cash capital ; but the assessors have found in the possession of C $100,000 worth of merchandise, and upon this amount they tax him. It is perfectly clear that Government commits a robbery by this process of assessing and collecting taxes. It is plainly shown that C had but $50,000 capital, and is taxed upon $100,000. By this means Government adds $50,000 to her taxable property by one ordinary transaction ; and by the same process millions are added to the taxable property, or, rather, the so-called taxable property, of Massachusetts. Boston taxpayers alone pay taxes upon millions of this fictitious capital yearly, robbed without a chance of escape, except through the medium of a false oath.

Is it advisable for Government to pass such laws of spoliation as will oblige its citizens to take a false oath in order to protect their own property ?

This law places the honest man at great disadvantage in life's competition. The honest man will not take a false oath unless forced to it for self-preservation. But, says the dishonest man, Government undertakes to rob me. I will make it my business to be square with her, and immediately takes every advantage of Government in his power.

Although such men like an excuse, they will wrong Government by concealing their property from the assessors at any time and under any circumstances.

But this does not justify Government in spoliation; and when it does resort to this, it is through the same source, and the citizen who conceals his property from the assessors manufactures the laws of spoliation; they are both one and the same.

But when a wrong in law exists, and the principle proved to be unjust repeatedly, and still persisted in through adverse and selfish influences, we have the moral right of exercising one of the first laws of nature,—self-protection.

Yet it is unfortunate for a citizen to be forced into the position of taking a false oath in the necessity to protect himself from the law, while the law should be made to protect him.

The law in regard to taxing personal property reads as follows :—

"Personal estate shall, for the purpose of taxation, include goods, chattels, money, and effects, wherever they are, ships and vessels at home or abroad, *money at interest, and other debts due the person, to be taxed more than they are indebted or pay interest for.*" Here is inserted a most singular clause, — more than they are indebted or pay interest for. Here is the only offset allowed in the law of taxation; and a very cunning clause it is. Shylock was not half so astute as this same law-maker.

Supposing we write under this clause thus (which is the true meaning of the law, and is so enforced, as thousands can bear witness), and you who are so unfortunate as to have no debts due you that would offset yours, you shall pay taxes upon that debt

which you owe. If the law had been written in the above words, it must have been enforced as it is to-day; it could have had no other import. Why was any debt allowed an offset, if all could not be? The exemption of these preferred debts has the diabolical effect to place upon these debts, which cannot be offset, a portion of their taxes. We have heard of preferred debts being allowed in settling the estate of an insolvent debtor; but to allow by law men of means and solvent debtors to place their taxes upon insolvent debtors, is beyond our comprehension. (Perhaps it was a knowledge of such privileges against the insolvent debtor here which induced the law-makers to give him a decent burial.) This law is still in force for the benefit of financial operators and the manufacturers of fictitious accounts. The principle it pretends to advocate is the true and just one; namely, after deducting your debts from your assets to pay taxes upon the amount you are in possession of in your own right. But what does it really accomplish? Just this: if you were so fortunate as to have $100,000 worth of goods in your store, and you owed $25,000, and had $25,000 due you, you could offset one against the other, and pay taxes upon the $100,000 in your store, which is your net capital over and above your liabilities. But supposing you have in your store $100,000 worth of goods, and owed $50,000 to the wholesale dealer, and you were so unfortunate as to have no one in your debt, you would be taxed upon the $100,000 worth of goods, notwithstanding you were in debt

for one-half of it. Had you sold a part of the goods for cash, and this cash was in your possession, you would then have been taxed upon goods and cash, notwithstanding you owed every dollar of cash on hand; consequently, according to this clause in the law, ability to pay was not taken into consideration.

Many wholesale dealers who had large debit and credit accounts, it would benefit; but the retail merchant who sells for cash, it would be better by far if the law was not in existence. He might be in debt for nine-tenths of his stock in trade and yet pay taxes upon the full amount. This is simply patronage upon one class of debts and spoliation upon the other, both equally deserving of patronage, and neither of spoliation.

An example based upon the financial condition of the city of Boston, not to be exact in amounts, would, perhaps, place before us one as easily understood as any in illustrating the system of taxation we recommend, which will apply to every State, county, city, town, and person in the Union. We allow no offsets, and tax our creditors through the debtors' lien.

This year, 1877, the assessed value of the city of Boston is	$687,000,000
The city is a creditor to the amount of her sinking fund, ...	15,500,000
Her entire assets are	$702,500,000
The city is a debtor to the amount of her debt, .	43,500,000
The city's net capital, ...	$659,000,000

The city first pays the taxes upon her assessed value,—

$687,000,000 at $13.10 per $1,000,	. . . .	$8,999,700
	The city would be, as a creditor, called upon, through the debtors' lien, to pay the taxes upon the sinking fund,—	
15,500,000 at $13.10 per $1,000,	. . . .	203,050
$702,500,000 assets.	Tax,	$9,202,750
	The city would call upon her creditors, through the debtors' lien, for the taxes upon—	
43,500,000 her debt, at $13.10 per $1,000,	. .	569,850
$659,000,000 net capital.	Net tax,	$8,632,900

The advantages of this system of taxation are clear and apparent; its reasonableness is plain to be seen. The money borrowed by the city was used in various ways for public improvements, principally for the following purposes: the Cochituate water-works, widening of streets, public building, public parks, and public institutions. Here, then, the money has been expended, and the property is here protected.

It matters not where the parties reside who hold the city securities; the property which they hold a lien upon is here, and here taxed.

A citizen of Boston holding real estate in Chicago would be taxed there for the estate, and not here. If not taxed here for real estate in Chicago, why tax him here for property he holds security on there? What difference is there in principle, whether he buys an estate there in his own name, or loans a person the money to purchase the estate, and takes the estate as

security for the money loaned? The difference is in the title or evidence of credit only. The same disposition of the funds takes place in both cases.

The city of Boston is a corporation doing business upon the same principle of any other individual corporation, and its financial condition is ascertained in the same way. The parties holding the city securities call upon the city yearly, or half-yearly, for dividends; or, in other words, interest upon their city stocks. They, in reality, own so much of the city as is represented by their securities, and upon this amount they should pay the taxes. Whenever six per cent. is paid for borrowed money, the taxes are added as a principle of business. Therefore, the city first pays the taxes upon the money in the interest.

The city being a privileged debtor, she has the right to tax her securities whenever they can be found within her jurisdiction. All debtors should have the same privilege.

We are well aware that it is the amount of property one holds in his own right which establishes the measure of his ability to borrow money, and not his personal appearance.

The city of Boston could not borrow forty-three millions of money unless she had the real and personal property sufficient to secure the debt. The town of Nahant could not borrow forty-three millions of money, because the security for its payment is not there.

Merchants or money-lenders do not sell their goods or lend their money to parties who have not, in their

judgment, sufficient tangible property in their possession to secure the debt contracted.

These are business principles, which every one knows that has had any experience. By these facts we learn that the creditor requires tangible property to secure his money, and, rightly enough, considers himself an indirect owner to the extent of his credit in such property. Take away the property, and the paper representing the credit is not worth the paper it is written upon. It is plain, then, the paper representing the credit is not the property, any more than the paper representing a railroad share is the railroad. The railroad consists of the real estate and the personal property upon it. The share represents the amount the holder owns in the road.

We would not expect to assess the entire property of the road upon the corporation, and at the same time assess each stockholder upon his stock, making it double taxation at once. Yet every time Government assesses a credit, and collects the taxes upon it, she doubly taxes the property this credit has a lien upon, or the right of a lien. We care not how or when it is done, there is but one principle involved,—the credit is covered by tangible property, and this only is taxable by Government. The only obstacle in the way of assessing and collecting an equitable and just tax by the method we propose, is in getting from the owners of personal property a correct statement and return of such property.

The law at present requires each tax-payer to hand in to the assessor a sworn statement of the amount of such property in their possession, and this must be

taken as correct. But it is generally believed very many false oaths are taken. If Government would protect her citizens by making the tax-laws equitable, we need have little fear of the efficiency of the oath in protecting Government from any frauds being perpetrated upon her by any citizen who has the moral as well as the legal right to claim citizenship. Protection is rightly enough required of the law, and when this is vouchsafed, there can be no reason why the citizen should not be required to support it.

Under the present tax-law, the tax-payer making his return to the assessors, notes at once that according to its requirements he has to pay taxes upon more property than he has in his own right. He immediately sets about righting the wrong, and Government is fortunate if the righting is not carried to that point which will subject her to loss, through the example of her own indiscretion. Repeal all laws relating to offsets and enact the law of the debtors' lien, which would require of the tax-payer a return of the full amount of property in his possession, and we believe that a large increase in the returns of personal property would be the result.

Creditors, many of them, no doubt will undertake to intimidate their debtors into the belief that it will be better for them to pay the taxes upon their debts than to call upon them. But the law should be made to protect the debtor in this respect. If one neighbor cannot love another, he should be made to respect his rights. If we cannot be perfect in Christianity, let us come as near to that point as it is possible. If we will not sell the goods we have, and give

to the poor, we will not take from them that which belongs to them.

Our creditors must also have their rights, although both are often combined in one; but that class we have especial reference to is the one who has "money at interest, and other debts due more than they are indebted or pay interest for." Therefore this class of creditors should be protected from their debtors making a false return of the property in their possession; or, rather, all debtors and creditors should be made to give correct returns. And for this purpose it may be necessary to require of each tax-payer, not an estimate of his personal property, but an actual account of stock taken within the fortnight preceding the assessment-day, and this statement to be sworn to, as under the present law; with this addition, where the firm or individual rendering a statement employs an accountant, he also shall make oath to the statement.

Most persons doing a business of any amount annually take an account of stock; and no one can doubt but that it is one of the most essential acts performed in business. It can make little difference to parties taking stock what time this is to be done, if not in the busy season of trade.

THE TAXATION OF MORTGAGES.

The limitation of the Constitution of the State to the principle of taxing all tax-payers according to their ability to pay seems to have little if any practical force in bringing about that desired principle. It appears that any means adopted by the Legislature of the State for assessing and collecting taxes has met with little opposition in court as to Constitutionality. By what abstract reasoning, or what technical points, all of these incongruous sentiments expressed in the Constitution and laws in regard to taxation are made to harmonize, is what puzzles one not logically educated upon such subtle points. We have no alternative but to leave the law to the judges, and to treat the subject as it appears to us, hoping, if we are not correct in law, we may be in principle. And what is most apparent in all laws upon taxation which we have examined or experienced, have been wanting in an equitable principle, some authorizing double and treble taxation before they have done with the tax-payer, others robbing and admitting of spoliation. The Commissioners, in their report, after examining the laws thoroughly, make many suggestions and some recommendations of value, but pass the most essential wrongs in the law, as being just and equitable. In regard to the taxation of mortgages, they give us an illustration of its reasonable-

ness, which fails in every particular, as we shall attempt to prove.

Government taxes mortgaged estates their full value to the owner. Both mortgagor and mortgagee have certain defined rights in the estate; the mortgagor has the right of possession so long as the contract between the two is fulfiled, but really the owner has only an equity in the estate of its value over and above the mortgage. The law taxes the owner for the full value of the estate, and has a lien upon the estate for the payment of the taxes. This we must admit is just and right. Government does not stop here, but goes further, and says, if this estate is mortgaged for two-thirds its value, as we find it upon the register, then the mortgagee has the ability to pay upon the amount represented by his security. Here they are correct again. They still go further, and claim that Government should assess and collect the tax upon this mortgage. There the Government commits robbery, and one so patent it needs no argument to prove the fact.

The relations of the parties are simple and plain. The owner of the estate has mortgaged it for two-thirds its value, and pays interest at the rate of six or seven per cent. This rate per cent. shows that the lender of the money has added the tax to the interest, in order to make the mortgagor pay it, that he may receive a net income equal to investments of other securities. It is in reality a universal practice for capitalists to add the tax to the interest; this must be admitted. Now, what we wish to make clear is this: that there were actually two owners to this estate; one

owned one-third, and the other two-thirds; and the one who owned one-third was taxed for the full value of the estate and paid it, and the one who owned two-thirds was taxed on this amount and paid it. Government, therefore, has assessed upon this one estate its value and two-thirds of its value besides. Now, supposing these two men had purchased this estate jointly, one had paid one-third, and the other two-thirds, cash. What could Government have done then? Nothing more nor less than tax the estate its full value. Yet the relations of each party are not changed as regards property; and we find Government has taxed the estate in one instance its full value and two-thirds besides, and in the other its full value, and not a dollar more capital existed in one case than in the other. Who is robbed? The debtor is the person robbed, and Government is the robber.

Now, where is the remedy? It is perfectly easy and simple. Tax the full value of the estate to the owner, who is also the debtor, and give him a lien upon the creditor who holds the mortgagee for his proportional amount of tax upon the amount due him upon the mortgage. Government then gets the taxes upon the full amount of property to be taxed, and all there is to tax; the owner pays according to his ability to pay, as well as the lender of the money or mortgagee. This is within the true Constitutional limit equitable and proportional, and Government has no right to exceed it, either legally or morally.

The Commissioners, in their report, say: "Not until we are able to establish a system under which the basis of taxation shall be the balance which each

contributor is worth,—after deducting all his debts, whether the amount or nature of property in his possession,—will debt be allowed to exempt real estate, and then whether or not the debt is secured by mortgage will be immaterial."

We understand the Commissioners to say, that when we can devise a system which will accomplish taxation upon the basis of the actual wealth of the contributor, it will be accepted. We believe that the system we recommend, of giving the debtor a lien upon the creditor, will accomplish taxation upon that basis, and we need exempt nothing tangible; and whether the debt is secured by mortgage is immaterial. Tax everything tangible as property, and leave everything intangible to the debtor. They say, "an example or two may serve to make more clear the working of our system, and its reasonableness."

"A and B make up a community. A is the landowner, his land being worth $1,000. B is a capitalist, and has in money, $1,000. It is plain that they should contribute equal amounts to the public charges." This first example is correct, each having in their possession equal amounts of tangible property.

"Before the next assessment-day, B has loaned A his money, receiving only his verbal promise of repayment. A has the money in hand on assessment-day, and is ready to repay if asked. It is plain that B has the same ability to pay taxes in respect of his money that he had the year before, and A the same ability in respect of his land."

The second example is not correct according to the principles put in practice under our system, and the Commissioners are in error.

If A had the money and land both on assessment-day, both would have been taxed to him under our system of taxation. Cash on hand is not allowed an offset. A false oath is the only means by which A could have escaped this unjust taxation. Under our system A would have been taxed upon land $1,000, and cash $1,000, and B $1,000, making $3,000, an increase of 33⅓ per cent. of what Government claims to be taxable property. And this out of nothing. This is the way we are taxed in Boston at the present time.

"By the next assessment-day the situation has been changed merely in this: A has given to B his note for the money; B's ability, in respect of his money, and A's in respect of his land, are still unchanged. *Each should be taxed as at first* on these articles."

Certainly they should be taxed as at first; but our system would not tax them as at first, as we hope we have clearly shown. A would have been taxed upon land and money, and B upon money loaned; this is our system, and if the Commissioners claim otherwise, they certainly are in error.

"Another year passes, and although A is abundantly able to pay the note to B, they have quarrelled, and he will not do it. As a consequence, B has sued him, and attached his real estate on the writ. They have still the same abilities as before, and should be taxed: A in respect of his real estate; B of his money."

Again, no change ; still in error.

"Before the next year the suit has been settled, and A, although able to pay as before, has given to B a mortgage to secure the note. There has been no breach of condition, and no interference of B with the use of the land. B surely has no less ability by reason of his security, and A no less by reason, thus far, of the mortgage. Tax them as before."

If all of these examples are merely to show that B should not be exempted, we should not question the correctness of the illustration and justice of taxing mortgages, as they always secure the best of the property they have a lien upon. But it is not the Government's for the purpose of taxation, as we hope we have satisfactorily shown.

But if the examples are for the purpose of showing the general system of taxing real estate that is mortgaged, then the Commissioners are sadly in error. If A borrowed B's money for the purpose of keeping it in his pocket, it was not a business transaction. A must have wanted the money for some purpose. He either invested the money borrowed, or paid his debts with it. If he paid debts, he surely had not the ability to pay taxes upon it. If he bought goods, or other tangible property, it was taxed to him as well as the land. Then, again, if it was money loaned to A, was it any less money in A's hands than B's? It was taxed in B's hands originally as money we did not inquire how B came in possession. Why should we inquire how it came in possession of A? It certainly does not matter to any of our assessors. They never ask us

how we came by it. They ask us if we have got it; and if so, pay the taxes upon it. Even if it had been borrowed twenty minutes before, it is all the same; you would be taxed upon it.

We claim as a principle, or fact, that anything borrowed does not add wealth to the borrower. Borrowing implies return or repayment; and the thing borrowed is not the property of the borrower. Government is continually taxing the borrower upon borrowed capital, and the lender upon the same capital. Government should tax the borrower only, and give him a lien upon the lender for his proportional tax upon the money loaned, and in the hands of the borrower.

The next assessment-day, however, finds A insolvent, and B in possession of the land, under his mortgage. A has no longer any ability in respect of his land. It is out of his possession; and, although his right to redeem it has not been extinguished, he has no means of regaining its possession. He can no longer be taxed in respect of his land. B still has his mortgage and note against A. The credit is due to him; but, as a credit, it is worthless. In respect of it as a credit, and, aside from the land, he no longer has ability. He is no longer assessed upon it as a mortgage or credit, but only upon the land of which he is in possession, and in respect of which he now has ability. Should A, by good fortune, redeem the land before the next assessment-day, the assessors will again tax him for it, and B for the money which he again has in hand.

"This is an example of the taxation of mortgages,

or, rather, credits by mortgages, under the Massachusetts system."

"In the instance given, has any injustice been done? Has any property been twice taxed, or any person assessed in respect of an ability which he did not possess?"

If either A or B had been exempted when taxed, would not the other have been compelled to pay more than his fair proportion?

To the first question, "Has any injustice been done?" we answer, yes. The instance given is not according to our system of taxation. To the second question, "Has any property been twice taxed?" we answer, not in the instance given, because it has not given an instance of Boston taxation; and if it is Massachusetts taxation, then the Boston we live in on Massachusetts Bay is not of that State.

To the third question we answer, it has the same incompleteness in the instance given.

To the fourth question, we answer, yes. No exemptions or offsets should be allowed in any case where other means will do the business far better. We know of no system of offsets or exemptions for the purpose of equalizing taxation which will not, through dishonest tax-payers, admit of any amount of fraud.

We have answered the Commissioners' question, and now may we ask, Why was not the credit taxed after the land passed to B? They acknowledge it may some time be paid and A come in possession of his land again. As the facts have turned out, both are as well able to pay as ever, although the instances

given was the payment of taxes upon two thousand, while Government would have taxed them upon three. Yet we find they were not able to pay upon two, and there was not, after the payment of the cash to A, but $1,000 of tangible property between them; the money was taxed somewhere else.

This only proves what we have contended for; namely, the credit is not property, only showing the interest the holder has in tangible property.

Below we give an illustration or two of the law taxing mortgages and mortgaged property as we have experienced it in Massachusetts, much to our dislike.

B and C are gentlemen doing business in Boston:—

B has an estate valued at	$18,000 00
C has cash, ...	5,000 00
Total taxable property, ...	$23,000 00
1875. Taxes for this year $13 per $1,000, . .	$299 00
During this year B sold to C his estate for $18,000,	
and received in payment in cash, ...	$5,000 00
And a note secured by mortgage of	13,000 00
	$18,000 00
C was taxed upon the value of his estate, ...	$18,000 00
B was taxed upon cash, ...	5,000 00
And mortgage note, ...	13,000 00
Total taxable property, 1876, ...	$36,000 00
1876. Rate of tax, same, $13 per $1,000, . . .	$468 00

It is clear that B and C had no more property in 1876 than they had in 1875; they have merely exchanged property; not a dollar is added to their joint capital. Yet Government claims by this simple

exchange between debtor and creditor, an increase of taxable property, in this mere pen-and-ink sketch, amounting to $13,000, or nearly fifty-seven per cent. of the original capital of B and C.

Argument is not called for; these are self-evident facts; they speak for themselves.

If forcing a citizen to pay taxes upon pretended capital—capital which does not exist—is not robbery, then give us a name for it. Is it merely enslaving? Or is it only degrading those already enslaved, that this poor rubbish may be the sooner removed out of the way, and not have this deadwood stop the current of business.

The citizens of Massachusetts have by every means in their power expressed their abhorrence against the principles of Southern slavery. To-day the tax-laws of Massachusetts enslave and impoverish debtors, while they allow spoliation and add wealth to wealthy creditors.

The citizens of Massachusetts were the first to place under their feet the English Stamp Act. To-day there is upon her statutes a tax-law more degrading to her citizens than was this stamp act in its day. We have now the right of representation without being represented. We are asked to contribute to the State charges, not for protection, but for our "*original relations to the State.*" So say the Tax Commissioners in their report. And we must admit we are not protected. Still we claim an inheritance which our original relatives left us, called the Constitution of the State of Massachusetts, wherein protection is written as one of its funda-

mental principles, and that coeval with our original relations. We hold no one can lawfully ask of us as a citizen, more than we can lawfully ask of them under like circumstances. The State Government was not transmitted to our elder brother as a special inheritance, and we his dependents. That law was left in England by our ancestors. Some of our elder brothers may undertake to impress upon us the real necessity of an elder brother, but it don't agree with our constitution, and we object to it.

In what position does this law of taxing mortgaged property place the man of small means having an equity of two thousand dollars in an estate valued at four, he being dependent upon his daily labor for the support of his family, and paying taxes and interest-money? Government takes from this man taxes upon two thousand dollars of property more than he is worth, and the person who holds the seven per cent. mortgage has added the taxes to the interest, and this man of small means pays both taxes. One can easily see what hardship this law creates for men of such means under such circumstances; and how many thousand in Massachusetts are there placed in just this position? We may safely say one-third of the farms in the State are in this mortgaged condition, their owners toiling year in and out, ever hoping to pay off this "everlasting mortgage," as the wife calls it,—gaining one year from one to two hundred dollars, failing to realize anything the second, and falling behind the third,—still pressing forward with the most commendable energy, overcoming all obstacles, as it were, by physical force. These are the citizens who a few

years since were defending with their lives the honor of their country against a system of slavery as inconsistent with the Declaration of Independence and the Constitution of the States as it were possible to be. Yet it was not difficult to get from the Supreme Court of the United States a decision that there existed no inconsistencies. It is not difficult to get from the Supreme Court of the State of Massachusetts that the present tax-law of the State is Constitutional. Yet the Constitution declares that each tax-payer shall contribute to the public charge according to his ability. Is it an ability of widows and orphans to pay taxes upon one-third or one-half more property than they really have in their own right? Certainly, if so it requires the old adage to make it so, "Whatever is, is right." Whether this is legal authority or not, we are not sufficiently posted in law to state. The court, however, has the benefit of a doubt.

A practical illustration came under our notice, relating to the taxation of mortgaged property, wherein the hardship of paying taxes upon such property by a widow was apparent, from the fact that her whole income was the six hundred dollars' rent which she derived from the estate, valued at $9,000.

From this income she paid interest, semi-annually, upon a mortgage note of $3,400, at six per cent., amounting to	$204 00
Taxes, at $13.10 per $1,000, ...	117 90
Insurance, ...	9 00
Repairs, 1877, ...	56 00
	$386 90
Balance to live upon, ...	213 10
	$600 00

Government takes from this widow forty-four dollars and fifty-four one hundredths in taxes which it has no right to. Where is the remedy? Perfectly easy and simple. Tax her for the full value of the estate and give her a lien upon the mortgagee for his proportional amount of tax upon his mortgage note, and the whole transaction is made equitable. "But," says argument, "the mortgagee will raise the rate per cent." This is not the Government's fault. It is placing the law in its right position before the people; it stops the fraudulent taxation of Government upon the people, and cleanses its functions of the wrong.

There is no reason why the mortgagee should raise the rate per cent.; he only changes his payment from Government to the widow, where it rightly belongs. But should the mortgagee raise the rate per cent., competition steps in, and says, "We have just that amount we wish to loan the widow, and at the rates she has been paying; the security is perfectly good, and we want it." So competition will always step in and equalize the demand to a fair market value, no matter what the circumstances are.

One other illustration in taxing mortgages has been brought to our notice, which we should be pleased to spare the honorable name of our noble State the disgrace of mentioning, if justice to our cause would allow us to omit it. But justice claims it is my duty to point out the wrong and demand the right.

This property is in the legal possession of a widow. It was purchased a few years since by her late husband for about $12,000, and mortgaged at the time

for $7,500, to the savings bank. For near two years the widow was unable to rent the premises; but as the widow has other property, also mortgaged, she is enabled, by the closest economy, to pay the interest and taxes. She has offered to sell the property for the mortgage due upon it, without finding a purchaser.

The property is now rented for five hundred dollars a year,		$500 00
Taxes,	$91 70	
Interest,	525 00	
Water tax,	18 00	
		634 70
Loss besides depreciation,		$134 70

If this woman could be allowed the taxes, through the debtors' lien, she might be able to keep the property until times were better, and then perhaps dispose of it at an advance. But no! Government says pay the taxes or we will sell the property, which she would be pleased to be released from, if it would not involve other property. Note the position. This woman has got to sacrifice her property, while Government is protecting the rich and poor depositor in the savings bank where she borrowed her money; she is paying taxes at the rate of one thirty-one one-hundredths per cent., while the depositors are paying three-fourths of one per cent. upon deposits.

Supposing the widow should pass her title over to the savings bank; no money would be necessary to effect the change; the law could not tax her after the change of title. Then, why tax her now? Simply

because the law does not protect her; but, on the contrary, it does the opposite of this, and subjects her to spoliation.

Supposing, again, this mortgage was in the hands of an individual, instead of a savings bank. Government would then tax the widow the same as now, and the individual for a like sum upon the mortgage. No one can doubt but that this is the clearest and cleanest kind of double taxation.

Is it any wonder that Massachusetts is the richest State in the Union, compared with other States as to the number of her inhabitants, when she is enabled to double the taxable property of the State by writing it upon paper?

This tax-law is a law of spoliation, and wanting in the primitive principles of right, and should be at once repealed under the just demand of the public.

Debtors and persons of small means have never received from law their just rights and protection. They always represent the weak side in politics, as well as the weak side in business; and for this reason they succeed equally well in both, if it can be called success.

A fair competition never reaches them; the law checks them upon one side, while the power which equalizes both sides is not in their pockets, and they are left, as it were, without friends. Nevertheless, the laws are better to-day than they were a hundred years ago. The sovereign people will demand, from time to time, those reforms in law which their experience and education have taught them are not equitable or in accordance with their rights. The debtor,

and persons with small capital, may with confidence look forward to the day, not far distant, when they may be emancipated from many of the poverty and slave-making laws of the present day, if they will work together.

The same spirit that threw the tea overboard in Boston harbor a hundred years ago still lives, and also that which had it in charge. The same spirit, aggressive and defensive, exists to-day.

There likely never was a time in this country when so great a shrinkage of property has taken place as that within the past few years.

One capitalist informed us, that within the two or three last years thirty-six estates had come into his possession through the mortgages he held upon them. And this but one capitalist. What number may we count upon, taking all capitalists and loaning institutions.

And what amount of suffering from the loss of this immense amount of property must have been experienced by those unfortunates, most of whom had their entire fortunes as equities in these estates.

It is this class of people that Government is and has been taxing fictitious capital upon.

No one who has not earned his property by severe manual labor can rightly judge of the feeling of one who, through years of toil and the strictest economy, has accumulated from two to three thousand dollars, with which his sole object was to purchase a homestead which he might call his own. The day comes when he thinks it will do to make the venture; he looks about for the estate that will suit him; the estate is

found,—just the one he wants,—but it requires nearly double the capital he has got to purchase it; business is good, and he gets good wages; he thinks he will venture to take the estate, and will mortgage it at the savings bank. He then calculates he will rent one half and live in the other, and, by this means, pay off the mortgage, interest, and taxes. For one or two years all goes well, until his employer tells him orders are out; no more work for the present; business is dull beyond comparison; his tenant is out of employment also; he becomes unable to pay his rent, and moves out; not being able to get another tenant, and his whole property being invested in his homestead, he soon finds it difficult to support his family; his interest comes due, and taxes; he manages to pay a part, and keeps along the best way he can, hoping business will revive; but in this he is disappointed. His family becomes sick, and troubles accumulate, as they often seem to when misfortune once gets started in that direction. Another year passes, and still no better success; he is allowed to hold his place until such time as the bank must protect its own interests; the mortgage is foreclosed, the estate sold to the highest bidder, and the amount realized proves to be only sufficient to cover the bank's claim upon the estate.

This is a picture of every-day life which is at our door, and which seldom brings forth a comment, it is so universal. But when a fire devastates property in a single night to the amount of millions, the people are moved at once to charity, and they give their thousands freely. This is because the event is unusual,

and the people are able to see the need of their assistance, and they come promptly forward and offer this assistance.

But the fire that consumes in every-day life numbers its victims by thousands, and is passed by unheeded.

This fire, which is more destructive, and causes a thousand times more distress to the poor and medium-class property-holders than its namesake does to the community at large, is the high rate of interest and the unjust taxes, both direct and distributive, placed upon them. So that whenever a depression in business takes place, the little property this class have laid by or invested is soon gone. It disappears, as it were, by magic, and they hardly know how or why it could have passed away so quickly.

As a matter of opinion, we believe that the aggregate losses of the three great fires, commencing with the Chicago fire, does not aggregate the losses in real estate by the medium classes during the period since the Chicago fire, up to the present time, and these estates have all passed into the possession of the capitalists.

Our laws should be made just, and sufficiently charitable towards the poor and unfortunate, as to make it desirable to live where they are enforced; and not such as will lead us, in case of loss of property, from affluence to penury, an even choice between death and poverty, for we are well aware that many choose the former, rather than become objects of charity, or be forced again to struggle over the rough road of adversity which they traversed years before, being now enfeebled by age in strength and spirit.

DOMICILE.

In the case of Tappan *vs.* Merchants' National Bank, 19 Wallace, Chief Justice Wait says: "Personal property, in the absence of any law to the contrary, follows the person of the owner, and has its *situs* at his domicile. If the State has actual jurisdiction of the person of the owner, it operates directly upon him. If he is absent, and it has jurisdiction of the property, it operates upon him through his property." October term, 1873, United States Supreme Court.

The Commissioners, in their report, recommend that "Each assessable person be deemed to be domiciled, on the first day of May in each year, in that city or town within the Commonwealth in which he has resided the greater part of the twelve months preceding with the ordinary members of his household. And that all persons who have resided within the Commonwealth the greater part of the year preceding the date of assessment, and all persons absent from the State who have gained no new domicile abroad, shall be deemed to be residents of this State."

We have, then, Chief Justice Wait's decision in regard to the law regulating the *situs* of personal property, in the absence of any law to the contrary.

We must see to it that the absent law is not wanting before another decision is asked for.

The change recommended by the Commissioners night serve to discommode persons living out of town a short time during the summer season, and oblige them to go a little earlier or stay a little later to gain a residence. It would hardly accomplish anything in the way of reform. We doubt if it would save a dollar from one place and place it in another, where it belonged, for the purpose of taxation. For the purpose of placing the domicile of the person, it may be as well as we can have it. But as we have before stated, property should not follow the person. Why should a tax-payer living in Nahant claim to be taxed there for his property in Boston? Certainly not upon any principle of justice or protection. What has Nahant to do with this property? Can the tax-payer invest it in Nahant profitably? If so, and he does so, it should be taxed there. Is this property protected by the Nahant police or fire department? Does it pass over the streets of Nahant? Is it stored in its storehouses?

Not at all, says the merchant resident of Nahant. What we claim to be taxed upon there are evidences of credits,—city bonds, railroad bonds, stocks o/ various kinds. Very well, say we, your property i protected where you have a lien for the payment (your securities. If in Boston, pay your tax the If in Chicago, New York City, Portland, or Naha then pay your tax there. We have nothing to with evidences of property relating to debts credits, except through the debtor; so says equit taxation. If there are securities held by citize

this State, of property out of the State, it is there protected, and should there be taxed. If other States have bid higher for our capital than we can afford to pay, it is right it should go there, and there be taxed.

One State should not seek to gain advantage over another one county, city, town, or person, in matters of government. The imaginary line of a State is nothing. We are a body politic, desiring the same equality in government, and having the same interests. It would be quite as reasonable for one partner to take advantage of another in matters pertaining to their mutual interests in business, as for one State to attempt to take advantage of another, in matters of government, in which their mutual interests are co-equivalent.

If the several States of the Union would acknowledge these mutual interests to the extent of establishing an interstate system of taxation, based upon the principle of adopting the location of all property as its lawful *situs*, independent of the domicile of the owner, taxing directly all real and personal estate termed tangible, only, throughout the States upon any assessment-day agreed upon, and enact the law of the *debtors' lien*, subjecting all tax-payers to its rights in every State, whether residents or non-residents, and also establish in each State a department of State's tax commissioners (with duties similar to that of Massachusetts), and through these departments an interchange of facts in regard to non-resident property-holders could be ascertained which would aid each department in assessing the income tax.

This system, legalized by Congress, and made applicable to all the States in the Union, would be of the utmost importance in settling many vexed questions of law, while it would add many advantages to our general system of government.

Such a system of interstate taxation would balance each State's accounts of taxes with the other, it would obviate all possibility of taxing one and the same property in two different States, or of the capitalist placing his spare funds in foreign stock for the purpose of concealment, thereby escaping taxation.

Thus the law would become complete throughout the States; all tangible property would be assessed by the local assessors; the debtor would look after his taxes in the hands of his creditors, while the creditors were looking after payments, or interest-money, and each would balance their accounts.

INCOME TAX.

This we consider one of the most essential taxes laid upon the people, and also equitable. No tax-payer is so well able to pay a tax as the income-tax payer; it is perhaps an inherited fortune that places him in this position, or it may be through ability that he is able to render to the assessor his thousands of yearly accumulations. If these riches are honestly obtained, any man has a right to be thankful, and feel also a fair amount of honest pride if, *through his ability*, he succeed to this honorable wealth and position. At the same time, let him not forget those less fortunate, or those who have less ability to bring to their assistance in their struggle for a livelihood.

An income should be strictly an income, over and above all expenses. We are not sure an exemption of two thousand dollars is correct in principle. One fact we are sure of, and that is, whatever is expended for the necessaries of life, no matter whether more or less, the amount so expended has paid all the tax anybody should desire to put upon it, and this through the process of equating or distributing, which reaches the rich and poor alike upon articles consumed. This distribution of taxes can never be made equitable. We may add an income tax which will serve to equalize the tax of distribution by placing it upon the incomes of the year passed, which will, in a measure,

rest where it is placed, and upon those best able to pay.

In determining the net income, house-rent should not be charged as an expense, if the party who lived in the house owned it; the rent would balance the income. If the party did not own the house he lived in, it should be charged as an expense.

Merchants doing business in their own stores would be subject to the same rule. Stock owned, the same.

All men of small means, and those dependent upon their daily labor for a livelihood, are paying an unproportional tax upon everything they consume.

That is to say, every property-holder adds to his rent, interest, taxes, and depreciation, or wear and tear of property, whenever the competition in business will allow this privilege. The tenants add these expenses to the price of their goods, in addition to a living profit, as we have before remarked. Therefore, the tax-payer who gets his twelve dollars a week, takes this money Saturday night, and goes to his grocer and provision dealer, and pays each four dollars in settlement of their weekly bills; to his landlord one dollar and fifty cents for rent of tenement; and the balance is paid for fuel and clothing.

What amount of income tax does this laborer pay?

If a proportional amount of income tax to this was mixed with the daily food of a millionaire, it would require the severest kind of manual labor to keep him from becoming a confirmed dyspeptic. The distributive tax commences with the United States customs; is then added to by the importer, property-holder,

wholesale and retail dealers. As a matter of opinion, we believe we are correct in saying that one-third, on an average, of the value of all articles consumed, are taxes assessed. And through this distributive system, equally assessed upon the rich and poor, a large amount of our yearly taxes are laid. Now, any means by which we can relieve the necessity of placing a distributive tax (no matter how small) upon the articles consumed, will relieve the tax-payer of small means, through that ever-faithful servant, Competition.

The income, or profit tax, as we may call it, is a source through which all tax-payers below this may look for a just relief from some of their unjust burdens. Through this and the debtors' lien, we may be able to require of the wealthy tax-payer a share somewhere near their just proportion, without their being able to shift the burdens of taxation so completely upon others, or to conceal their property as heretofore.

Neither should the wealthy attempt longer to force degradation upon poverty. It is high time that a change was inaugurated, and a just, if not a charitable, system of taxation adopted.

In order that an efficient assessment of an income tax may be made, we will have to ask of the debtors and creditors to render to their assessors a sworn statement, each year, of the debts they owe, and the credits due the amounts ; who to, and who from, and their residence or place of domicile.

This statement to be forwarded by the local assessors to the State Commissioners of Taxes in such con-

densed form, and under such rules and regulations as seems best adapted to accomplish the object, and there compared, and all incomes throughout the State there ascertained and assessed. These assessments to be sent by the Commissioner to the collectors of the several towns wherein the persons taxed have their domiciles, and by them collected and paid over to the town's treasurer.

All such sworn statements to be subject to the inspection of the proper person having the work in charge, and none others, unless there seems to be a necessity.

This is merely an outline, as we see it, of the most feasible way to get at the facts. We must admit we have not examined this part of the subject sufficiently to recommend just what should be adopted as the proper method. Neither are we prepared to say what the exemption should be; but it appears to us that whatever it costs any tax-payer to support his household during the year the computations are made should be deducted as expenses.

The income tax is a distinct tax from all others, and should be assessed upon the net income over and above all expenses of every name and nature. The object is to make it just, and then require a strict fulfilment of the law, under a severe penalty. We believe it should not change the right to tax such net income, notwithstanding it may accrue from property already taxed during the year. This is a tax upon actual profits, no matter from what source they accrue.

Many large incomes are derived wholly from real estate already taxed, wherein the owner may have

been able to distribute most of the tax upon his tenants. To tax this income as a separate profit tax would surely come under the head of just and equitable taxation, and is really necessitated in order to counteract that of distribution. It is the only means by which we can place a proportional tax upon the capitalists according to their ability to pay.

A business man may have a business amounting to a million, yet during the year make no profit, through losses or other circumstances. If this occurs, a clear statement of the facts should be made in the sworn statement, that it may be verified if necessary. These statements would also be verified by the statements themselves, if more property was found in the possession of the party giving in his income than was accounted for in his statements. The belief would be, that correct statements had not been handed in.

At the Workingmen's Convention, held at Boston, October 11, 1877, we find the sixth article of their resolves passed demands as follows:—

"We demand, that, so far as it comes within the State domain, indirect taxation of all kinds shall be abolished, and a single direct, progressive income tax be substituted therefor."

This is short, comprehensive, and to the point; it is equitable, if we could establish each tax-payer's income correctly. It is the most difficult tax we have to assess, as regards facts to base it upon. And from the amount of investigation we have given the subject, we believe the system we have recommended is the best adapted to ascertain the true amount of income to be assessed.

The debtors' lien which we recommend may be considered an indirect tax, but it in fact accomplishes direct taxation; therefore it comes within the true meaning of the workingmen's demand. They demand neither more nor less than that each tax-payer shall be assessed according to his ability to pay.

Many income-tax payers no doubt will object to rendering such an account of their business as will be required to ascertain the amount of this tax, and also that of personal property, but we can see no other method feasible, and there seems to be no alternative. This trouble and expense must be incurred, because some will not give in their true income without; and we must make the tax equitable and efficient. If not this, it will become of bad repute, and create among those willing to live up to the letter of the law a just indignation against a law which only protects rogues, through its inefficiency, which is apparent, through the inability of the assessors to enforce its principles.

Should our readers require a proof of our sincerity in advocating the equity and justice of this tax, we do solemnly aver and ever pray to be subjected yearly to its pains and penalties.

TAXATION OF RAILROAD AND OTHER CORPORATIONS.

These corporations are owned by shareholders, the corporation representing the person doing the business of a common carrier, carrying passengers and freight. Their property consists of depots, railroad machinery, tools, and all other appurtenances necessary to the full equipment of the road. And upon the aggregate value of this property, and the cash on hand, the corporation should pay taxes.

Government, after a great number of years of unsuccessful attempts to doubly tax corporations, first upon their property, and then upon the shareholders in this property, have come to the wise conclusion of taxing only one of these, and that through their corporate franchise.

The Commissioners, in their report, page 123, give us an illustration of the difficulties experienced in assessing corporation shares and deposits.

In 1861, the amount of stocks in corporations and deposits in savings banks was	$232,156,227 00
Amount taxed, ...	80,263,840 00
Balance untaxed, ...	$151,892,387 00

The whole taxable property of the State for that year was $861,547,583; thus showing a loss to the State of taxable property amounting to more than one-sixth of the whole valuation of the State. But

was this a loss? The Commissioners fail to inform us how much of this property upon which these securities had a lien was taxed; a very essential item in determining the actual loss.

The loss to Government, we apprehend, was very little; but the loss to individuals, upon whose property these securities had a lien, was no doubt enormous. And had the law of the debtors' lien been in force, not a cent could have been lost, and it would have been returned to those to whom it rightly belonged.

This loss, say the Commissioners, was occasioned through the inability of the local assessors to assess resident and non-resident shareholders.

But was this property for the purpose of taxation? We have before remarked, that these evidences of credits were not property for the purpose of Government taxation. These shares and stocks of all kinds merely show the holder's interest in the tangible property named in the security. Therefore, the Commissioners could not rightly call the non-taxation of these securities a loss. But could the assessors have assessed these securities, and then assessed the corporation upon which these securities had a lien, this would have been clearly double taxation.

The same principle is involved in taxing a mortgaged estate to the owner, and then taxing the mortgage. Only this difference. When you tax a corporate body for their property, and then tax the shareholder for his share in the same property, he represents both the mortgagor and mortgagee. Or if Government would tax a person for his real estate, and go to the Register of Deeds and tax the deed of

the same property, Government would do the same act as it would in taxing the corporation, and then taxing the share. If the local assessors taxed all the real and personal property in possession of the corporation, and then undertook to assess the shareholders for their shares, the shareholders did right in concealing their shares. Government had no right to tax them. We are of those who believe a direct tax should be levied upon all tangible property, and not of those who believe that it is necessary to resort to a dozen different ways of taxing the same property.

A franchise or excise tax should never be resorted to, when a direct tax can reach all the property there is to be taxed. Taxing a corporation doing business in this State, organized under the laws of another State, should be in accordance with the privileges granted our own corporations. Nothing for reprisal, but everything for the comity of States, is what we should offer, and what we should expect to receive.

We are unable to see how a franchise tax can be made equitable, unless for some special privilege. There ought to be no difficulty in taxing all property without resorting to this tax.

The Commissioners, in their report, page 125, give us a general plan of the corporation tax, and the principle upon which it is based, which we take the liberty to insert, with our comments.

General Plan of Corporation Tax.

The scheme may be outlined as follows:—

"It is based upon the right of the State to tax the franchise or right of existence of the corporation, and by it neither its property

nor shares, as such, are taxed. But the real estate and machinery of all corporations (being in the nature of fixed property) are assessable by local authorities in the same manner and for the same purposes as other real estate. The only exception to this rule being, that railroads are by law exempt upon a belt of land five rods wide, with all the structures within this limit. It will, however, be seen that this exemption, so far as the interests of the shareholders are concerned, is nominal only. Its effect is to transfer to the treasury of the Commonwealth and to the treasuries of the cities and towns where the shareholders reside, a portion of the tax upon this property, which would otherwise remain with the municipalities through which the tracks of the railways are laid.

"The treasurers of all Massachusetts corporations having a capital stock are required to make, under oath, a return to the Tax Commissioners of the State, as of the first day of May, within the first ten days of that month, of all the stockholders, with their legal residence, and of the par and market value of the shares of the corporations. The assessors of all the cities and towns where any of the real estate or machinery of these corporations is located, are required to report the value of such property in detail to the Tax Commissioner. All assessors being required to return the total valuation of their municipality and the amount of money to be raised by them for State, county, and town taxes, the average rate of taxation is easily obtained.

"The tax at the average rate in the Commonwealth is assessed upon the valuation of the franchise, ascertained by taking the sum total of all its shares at the market rate on the first day of May, and deducting the value of the real estate and machinery (if any is owned) locally assessed. The treasurer of the corporation is required to pay the full amount of this franchise tax direct to the treasury of the Commonwealth; and a tax equal in amount upon every share, assessed at an equitable rate, without the possibility of evasion, has been collected. It only remains to distribute that portion of the tax which the State does not retain to the cities and towns entitled to it. This is done by crediting the different municipalities with the proportion of the tax represented by the shareholders resident in those places. When the local treasurer appears

to pay the proportion of State tax due from his town, he finds waiting for him the full amount of tax due, in respect to this class of property, by his fellow-townsmen. When all has been distributed, there still remains in the State treasury a substantial revenue (the tax upon the stock of non-residents) for the needs of the Commonwealth."

This law has proved quite efficient, and there seems to be no trouble in assessing the full value of all corporate property under favorable circumstances.

All corporate property should be taxed upon the same principle as that of individual property; and as the corporate body represents the person, no better way to tax them can be devised than the present one, with this exception, the aggregate value of the shares should not be taken as the aggregate value of the corporation's property.

Supposing the property was mismanaged, and had become involved and in debt, the same as any individual property, — or, as the Commissioners say, in their comments upon the General Corporation Tax, "Supposing the case of two railroads having an equal amount of property, the assets of the first being purchased with the capital stock subscribed by its shareholders; that of the other in part by stock subscription, and the largest amount of bonds the property could be made to carry," — the aggregate value of the shares in the bonded road would no more represent the value of the road, than the equity in an estate would represent the value of the estate; and there would be quite as much propriety of taxing the equity in an estate that was mortgaged as the true value of the estate, as there would be in taxing the aggregate

value of the shares in a bonded road as the value of the road.

Then, again, why exempt a railroad bed? These corporations have, under certain restrictions, the lawful right to take from the owners a strip of land five rods wide for a railroad bed; this, with the fixed property put upon it, which usually averages about $17,000 per mile, is by law exempt; the right and equity of this exemption is not apparent from any knowledge we have of this class of property; analyze the facts, and we no doubt will find that a large amount of influence was the real cause of the exemption. When a road pays a fair interest upon the investment, it shows conclusively that the people contribute their share to its support. Even if a road was not a paying road, we see no reason for exempting it; it would only require a lower valuation in order to make equitable taxation. A railroad should be assessed upon the nearest estimate of its actual value, which could be obtained through the local assessors and the corporation, as now rendered to the Commissioners of Taxes.

The exemption of the railroad bed has the same effect upon the public as the exemption of the property of a savings bank. You exempt the rich and poor roads at the same time. A road may be able to declare a dividend of fifteen per cent., and get its exemption the same as a road that paid but three per cent. Real estate which pays three per cent. upon its cost may possibly be rated at a lower valuation; but if the estate remains idle, and could, if rented, pay a fair interest, it would get no abatement on this

account. Therefore, why should the real estate of a road be exempt? Capitalists placing their money in these roads would claim an exemption upon the ground that it was, in reality, a public highway, and that it saves the public from the necessity of keeping in repair a public highway, and that they, as capitalists, should be allowed something for these betterments. These reasoners forget that every passenger passing over their road pays them for all of these betterments, and a fair interest upon their investments. It may be that passengers do not pay quite as much per mile travel now as they would if the road was not exempted; but how does this benefit the tax-payer who rides over the road once a year. Local exemption will not equitably diffuse itself over the whole State, or over the country. Exemption, we believe, should be for the poor and our local public schools, and such charitable institutions as can claim to be truly charitable. But for railroads, the valuation of the assessors can much more equitably regulate the exemption of these roads, or, rather, place upon them a just tax. The Commissioners claim that the present law, as now enforced, practically does away with this exemption, and, taxed as a franchise tax, it probably does.

Government does very wrong in granting privileges to corporations which they cannot afterward control, thus being enabled to regulate the rights of each, the citizen and corporation. Sufficient control should be retained to secure the public against oppression, fraud, loss, or danger.

The Commissioners tell us that, in "1861, shares in the Hamilton Manufacturing Company were rated at $1,000 each in Belmont and Carlisle, and at $83 in Pepperell; shares in the Appleton Company at $900 in Medford, and $43 in Brookline. In the Lawrence Manufacturing Company, at $800 in Groton, and $75.45 in Quincy; and in like manner through the State, and to the end of the list."

The Secretary of the Commonwealth declared this inequality of taxation to be a very serious affair. So it would be if the shares only were taxed; but if the property was taxed where it is located, we see no loss of revenue from this class of property. On the contrary, those shares, taxed at their full value, was clearly double taxation. And likely the low valuation put upon these shares by the local assessors, or some of them,—those of Pepperell, Brookline, and Quincy,—were so rated from the fact that they considered the assessment of them double taxation, and placed the rate to cover any loss of personal property at the place where the property of these manufacturing companies were located.

The present corporation tax-law has done away with most of the inequality of taxing this class of property. This law, as now enforced, is especially adapted to railroads and telegraph companies. Owing to the location of their property, passing from one town to another, it is necessary to tax them in one place to their corporate agents, and these taxes, so collected, distributed where they belong, through the State's Commissioner of Taxes.

Therefore, if we tax these corporations for all the property they have in their possession, through the means best adapted for that purpose, coupled with the debtors' lien, we shall have accomplished all we should desire, and at the same time an equitable taxation.

THE TAXATION OF BANK CAPITAL.

Banks of deposit and discount have little property for direct taxation. The real estate, cash on hand, and tangible personal property other than evidences of credits or debts is all there is for direct taxation.

The statement of the Boston Banks, December 17, 1877: —

Capital, ...	$51,850,000 00
Loans, ...	127,699,700 00
Specie, ...	2,940,800 00
Legal tender, ...	5,500,500 00
Due from other banks, . . .	17,535,100 00
Due to other banks, ...	20,984,300 00
Deposits, ...	49,745,500 00
Circulation, ...	24,561,400 00

By this statement we find that the banks of the city have loaned one hundred and twenty-seven millions six hundred and ninety-nine thousand seven hundred dollars!

Why should not the banks pay taxes upon this entire loan? It is property upon which they draw interest. Supposing we add to the loan all other credits, should we not be justified in claiming sufficient credits to balance the entire assessment of personal property?

We find that the assessed value of the personal property of the city of Boston was, in 1876–7, $222,838,310; take from this amount the bank loan, $127,699,700, and we have a balance of $95,138,610.

It has been estimated that credits in Boston upon mortgages alone are assessed to the amount of $50,000,000. If this is so, then the banks are not sufficiently secured upon their loans. But as the managers of these institutions are not wanting in a knowledge of their business, we must conclude, from this approximate of credits, that not more than half of the personal property within the city of Boston is assessed.

If no offsets were allowed, and credits were assessed only, we might assess more credits than is now assessed of personal property, including credits not offset.

It requires little penetration to see that our system of taxation is wanting in that requisite. It is, in fact, no system upon which any reliance can be placed. It is merely guesswork, spoliation, and hypocrisy.

Our banks of deposit have, as well as other banks, pushed their claims to the right of an exemption wherever there was a chance to accomplish anything. They never have been willing to be considered objects of charity, but usually base their rights of exemption upon the ground that through their capital the improvement in business and the increase in value of taxable property in their locality would more than balance any loss of taxes through their exemption.

This theory, in substance, was advanced in behalf

of the savings banks by the committee of associated savings banks, in their communication to the Commissioners in advocating the reasonableness of the three-fourths of one per cent. tax upon their deposits, and against an increased tax. No one will deny that the savings banks are a great local benefit, as well as other banks. But what we do object to is the theory that they are not quite as dependent upon the community surrounding them as the community are upon them; and we say they are more. The community can exist without them, but they cannot exist without the community. These people would not establish a bank upon the top of Mount Washington, not even with the privilege of an exemption from taxation (the wind could be too easily raised there); therefore, let this theory of benefits be considered balanced, with the understanding that we are wonderfully dependent upon each other, — much more than the good-will which we extend to each other would seem to indicate. While Government should grant all reasonable requirements of the capitalists, it should exercise great care and caution in allowing exemption or granting appropriations for private enterprises intended for public benefits. But whenever the conditions will warrant an appropriation of the public funds, the benefits arising therefrom should be unquestionable, and the security ample. If the public require any enterprise to be carried forward at the present day, as a rule there is sufficient private capital to accomplish what is really required; and if required, it will pay to invest.

We know very well that the capitalist looks to the

community for a fair interest upon the capital invested, over and above any privileges or grants from the Legislature; and this they feel sure of, or they will not invest.

Banks should be required to pay taxes upon their net assets over and above their liabilities, the same as any other capitalists. Their loanable funds consist of their paid-up capital, circulation, and deposits. From these they are enabled to loan from two to three times their capital invested. Nearly one-half of their loanable funds are derived from deposits, upon which they pay little or no interest, — usually none; but in certain cases they do a small amount.

The United States Government requires of national banks a tax, but this is balanced by Government securities held by Government in favor of the banks (in the absence of any Government law preventing the State levying a full tax upon banks). No deduction should be made from the State tax on account of the Government tax.

The Government tax is an excise tax for privileges granted, and should be worth to them the payment required, and ought not to interfere with the State's taxation.

Taxing these banks as we propose, taking the statement of December 17th, 1877, as a correct statement of their assets and liabilities, they should be taxed through the debtors' lien for the amount

of their loans, ...	$127,699,700
Amounts due other banks, . . .	17,538,100
	$145,237,800

The local assessors would assess them for their real estate, cash on hand, and any other personal property other than credits. The banks would reimburse themselves through their debtors' lien upon

their shareholders, ...	$51,850,000
Deposits, ...	49,745,500
Due to other banks, ...	20,984,300
	$122,579,800

Merchants depositing in these banks need not return such deposits as cash on hand. It is not cash on hand; it is cash in the possession of other parties, and should be assessed to them.

Whatever the merchants may have in their till they should return as cash on hand. Average deposits should have nothing to do with taxation. There is about the same capital in the country at one time as another, and there can be no advantage in an average of deposits, not if a correct statement is once made; this is sufficient. The object is to tax everything once and at the same time, and the income for the year past.

Savings institutions, trust companies, and brokers should be taxed for what tangible property they have on hand only; the debtors' lien will take care of the balance.

Why the savings institutions can claim an exemption of their property is not clear. It is a very absurd undertaking for Government to tax these institutions three-fourths of one per cent. upon their average deposits. We are unable to see any correct principle

involved. To exempt a portion of any institution, where the rich and poor have the same advantages and rights, must give each the same privileges; and if the principle is correct, we might exempt the whole community upon that principle; not only might, but the community have the right to claim the exemption.

When we ask those connected with these institutions if they have any reasons why they should not be taxed the same as any other capitalist, according to their ability to pay, they say these institutions are a great benefit to the community, and to tax them more than they are now taxed would serve to cripple their usefulness; they are mostly supported by the poorer class of people, and their deposits are small.

Yes, but do not the rich as well as the poor deposit with you?

Yes, no doubt they do to some extent.

Well, then, in exempting the poor of your institutions, we must exempt the rich?

To the extent of their deposits, undoubtedly.

Then is it just to exempt the rich?

No, of course not. But how can we help it?

By taxing your institution the same as any other loaning institution or individual.

But this would not help our poor depositors.

Are you sure of that?

Why, if we tax them, they have got it to pay. Besides, we are not now in the condition that we were formerly in regard to profits. Heretofore we were enabled to declare a dividend of seven to eight per

cent., and to put a heavier tax upon them now would make it still worse.

Are you sure? Is there no other class of your customers whose interests you might not consider, and not wrong your depositors?

We are not aware of any.

You hold mortgages?

Yes.

What amount?

In value, a million or more.

Do the mortgagors pay their interest promptly?

No; many pass their interest these days. That is one reason why we are unable to declare large dividends.

Have you any mortgage notes with interest less than six per cent?

No; most of ours are above that.

Have you Government securities? If so, at what rate of interest?

Yes; we have those which pay six, and some at four and one-half.

Have you any securities other than Government you could not pay the taxes upon and realize five per cent.?

As a rule, we have got very few that would not realize five per cent. after paying the taxes.

We see no reason, then, why you should not pay the taxes upon these securities, if you are able to do this and realize a profit above Government securities at four and one-half per cent., which are selling to-day above par.

We are desirous of making as large dividends to

our depositors as possible, and we hardly feel called upon to advocate any system of taxation which will lessen them.

Do you loan at less rates than other moneyed institutions because of less taxes?

No; we get the ruling rates, or the most we can. It depends upon the demand in the market for money.

You consider real estate good security?

Yes; one of the best.

What rates do you get?

Six, six one-half, and seven per cent.; it depends upon the property.

Do you consider your security upon real estate equivalent to owning so much of the estate as will be necessary to pay your loan in case of forfeiture?

Certainly, in certain contingencies we can claim the estate, or so much of it as may be necessary to pay the mortgage.

Then, why should you not pay your proportional amount of tax upon this estate? You both furnished the money to purchase it; why not both pay the taxes?

The law does not require it of us. We are taxed three-fourths of one per cent. upon our deposits.

Is this just in principle?

It is very generally understood to be unjust at the present day, and that it is a double tax upon mortgaged property.

Will you advocate a change in the law, to the effect that each party shall pay the taxes, according to the amount of each one's equity in the estate?

We would rather have the mortgage exempted and loan for less per cent.

Would you loan for less ?

Through competition we would be obliged to.

Would that competition be sufficient to lessen the rate per cent. for the loan to cover the tax ?

That would depend upon circumstances ; at times it might, and others, not.

Would it not be far more just for each to pay his own, and leave nothing to circumstances ? The taxes might be high, and they might be low. The loan would have nothing to do with the tax rate.

You are right, but it would be more convenient for us to be exempted upon the mortgage.

Not so ; we propose to tax the mortgaged estate to the mortgagor, and you are to deduct the amount of taxes upon your loan from his interest account, or, in other words, credit him with your tax which he has paid.

You are right again, but we had rather pay the three-fourths of one per cent. upon our deposits.

But would not the advantage accruing to the mortgagor so increase his ability to pay your interest, while it would enable him to compete with his neighbor who owned his property, more than compensate your depositors for the loss of one-half of one per cent. in taxes, especially when the whole is to be credited your debtors instead of paying out three-fourths of one per cent. to Government ?

I am not certain ; perhaps not to that extent. But *right is right, and no one should oppose it.* We will consider the matter.

We left this friend convinced we had not fully persuaded him to advocate the principles we had contended for, but we fully believe he considers we are right. It is very difficult to convince men what is right, if their interests are in another direction. We really have not much of that virtue called charity, and if this could be passed, and we could bring the scales of justice up to a level beam, this might lead to charity as an object in the dim future.

Insurance companies of all kinds we need make no especial mention of, as they would come under the general system of taxation, being taxed for what tangible property they may have in their possession, subject also to a State franchise tax for services rendered.

EXEMPTION FROM TAXATION.

The existing statutes are divided into fifteen classes, as follows:—

First. The property of the United States.

Second. The property of the Commonwealth, except real estate of which the Commonwealth is in possession under a mortgage for condition broken.

Third. The personal property of literary, benevolent, charitable, and scientific institutions incorporated within this Commonwealth, and the real estate belonging to such institutions, occupied by them or their officers for the purposes for which they were incorporated.

Fourth. All property belonging to common-school districts the income of which is appropriated to the purposes of education.

Fifth. The Bunker Hill Monument.

Sixth. The household furniture of every person, not exceeding one thousand dollars in value, his wearing apparel, farming utensils, and mechanics' tools necessary to carrying on his business.

Seventh. Houses of religious worship, and the pews and furniture (except for parochial purposes) ; but portions of such houses appropriated for purposes other than religious worship shall be taxed at the value thereof to the owners of the houses.

Eighth. Cemeteries, tombs, and rights of burial, so long as the same shall be dedicated for the burial of the dead.

Ninth. The estate, both real and personal, of incorporated agricultural societies.

Tenth. The property to the amount of five hundred dollars of a widow or unmarried female, and of any female minor whose father is deceased, if her whole estate, real and personal, not otherwise

exempted from taxation, does not exceed in value the sum of one thousand dollars.

Eleventh. Mules, horses, and neat-cattle less than one year old, and swine and sheep less than six months old.

Twelfth. The polls and any portion of the estates of persons who, by reason of age, infirmity, and poverty, are, in the judgment of the assessors, unable to contribute fully towards the public charges.

Thirteenth. Beet-sugar manufactories, for ten years from 1872.

Fourteenth. So much of the income from a profession, trade, or employment as exceeds the sum of two thousand dollars.

Fifteenth. Railroad bed, including a strip of land five rods wide, and the fixed property upon it.

1. No State has the right or power to tax United States property.

2. The State would gain nothing by taxing itself.

3. The exemption of this class of property is altogether too sweeping in its application. A truly charitable or benevolent institution may justly claim the right of exemption if placed under the supervision of the State's Board of Charities or the Tax Commissioner. The people have a right to know upon what grounds an exemption is allowed as well as that of an appropriation; they are equivalents in principle, consequently require the same supervision. When there is no question as to the right or justice of an exemption, the simplest and most convenient way to effect an appropriation would be to exempt. This would save time and expense. Some political economists claim that there should be no exemption; that all property should be assessed, and if the object claiming an exemption proved to be such as could rightly claim the support of Government, that an

appropriation be made therefor. This would bring before the people the subject of exemption in all its various forms, and likely would have the effect to discontinue most of them for the want of a just and equitable right in claiming Government support. We cannot too urgently impress upon the people the clearly expressed and guaranteed rights of each individual citizen by the Constitution of the State, based upon the principle of the equality and natural rights of all men. Therefore, when the existing laws fail in protecting these rights, they fail in fulfilling the requirements of the Constitution. Each citizen can claim an equitable and just taxation, and this gives him a tax right in all taxable property throughout the State, and we may say an inalienable right in such taxable property so long as it remains within the State. No privileges or immunities are asked for by the tax-payer other than that of equal rights in all taxable property. But does not this tax right estop the General Court the right to grant these privileges and immunities unless such grants carry with them the conviction to the people that they are in accord with their rights and the obligations of the State?

Literary and scientific institutions may rightly claim a certain amount of benefits disbursed to the people; and for these benefits they can justly claim an exemption from local taxation upon such real estate and personal property located upon their grounds and used for the especial purposes of the institution, and from which they derive no further income. But when Government exempts all the property which may be donated these institutions

from time to time, thus making them general receptacles for exempting taxable property, she exceeds her prerogative, and despoils the citizen of his just rights, by not taking into consideration the individual welfare of the citizen, or his tax right in all taxable property.

In the Appendix to the Commissioner's Report of 1874, we find the amount of property exempted throughout the State belonging to the several institutions enumerated in the third and ninth classes of exemptions to be $23,702,300, and this we find very unevenly distributed throughout the State, Middlesex County having $9,401,100 ; Suffolk, $7,111,600, these two aggregating about two-thirds of the whole amount. There can be no objection as to the amount of property these institutions may hold at present, provided it is not removed out of the right of taxation, and thereby wronging the people out of their taxable right in such property.

For an illustration, we will mention some facts in regard to Harvard University. The property owned by this institution situated in Boston is now taxed. The title to this property consists in registered deeds. The securities held by this institution, establishing their titles in other property, are papers considered quite as valuable as an investment as the deeds securing real estate in Boston, or they would not have been purchased. Then, upon what principle does Government assess one and exempt the other? Certainly not upon any just principle. Some of the securities held by this institution no doubt are taxed through the right of a franchise tax; but the failure to tax them

all shows the great need of a proper, just, and efficient system of taxation, as well as the injustice perpetrated upon the people by exempting the property of institutions far better able to bear the burden of taxation than those who are now taxed to support them.

In the president's report of Harvard University, 1877, we find the following statistics:—

Income,	$556,767 43
Payments,	497,433 83
Net gain,	$59,333 60
Donations within the year,	212,483 07
Increase of capital,	$271,816 67

Number of students, 813. These paid into the general fund, $158,406.90, leaving a deficit in the expense account, to be provided for from other sources, of $339,036.93. This deficit was taken from the income of the several donated funds belonging to the institution. Add to the income a fair interest upon their real estate in Cambridge, valued at three millions and a quarter, and divide this sum by the number of students, and we have an approximate idea of what it costs to acquire a collegiate education in Harvard University. We mention these facts as going to prove that the benefits are local, and are not such as would warrant an appropriation of the public funds for the support of this institution, or that of any other under like circumstances; and if we cannot justly appropriate we cannot exempt.

There should be no question as to the propriety of an exemption in the minds of the people, and such a

one is readily found in the fourth class of exemptions. No one ever questions the propriety of exempting this class of property; and every citizen is ready and willing to be taxed for the support of our common schools. The benefits are at once apparent, and equitably distributed. The question of benefits derived from the common schools, as compared with those of the higher educational institutions, may well be compared to the benefits derived from the producing and non-producing citizen,—both essential to the community. We must have the producer, but can do without the non-producer.

5. Bunker Hill Monument. This we pass with uncovered heads, reverently honoring our ancestors, who fought against unjust taxation.

6. The law exempting this amount of household furniture is just. We believe those houses wherein there should be a large excess over this amount, should be examined by the assessors when there rests a belief that a correct return had not been made.

7. Mr. Francis E. Abbot, in his communication to the Commissioners, divides his remarks into parts; the fifth of these we take the liberty to insert.

> "5. If exemption from taxation, therefore, is granted to any species of property, it should be such property alone as might, with equal justice, receive a direct appropriation. I would lay the greatest possible emphasis upon this principle. *Exemption from taxation is a violation of public faith in all cases where a direct appropriation would not be equally proper and just.*"

Does it need any argument to prove that exemption and appropriation have the same effect? When the

same disposition of public funds takes place from either act, would it make any difference to a landlord whether he exempted a tenant from the payment of a month's rent, or whether the tenant should pay the landlord the money, and the landlord should hand it back to him as an appropriation for his benefit? Admit that the landlord and tenant represent the Church and State correctly, and it must be admitted that exemption and appropriation are equivalents. Government, then, in exempting church property, indirectly appropriates the public funds to the support of the church, while the act is clearly unconstitutional.

Article III. of the Bill of Rights, which was the law up to 1833, has the following clause:—

> "The Legislature shall, from time to time, authorize and require the several towns, parishes, precincts, and other bodies politic, or religious societies, to make suitable provision at their own expense, for the institution of the public worship of God, and for the support and maintenance of public Protestant teachers of piety, religion, and morality, in all cases where such provision shall not be made voluntarily."

In 1833 the above law was repealed, and Article XI. (which is the law now in force) was substituted, the material portion of which reads as follows:—

> "And all persons belonging to any religious society shall be taken and held to be members until they shall file with the clerk of said society a written notice declaring the dissolution of their membership, and thenceforth shall not be liable for any grant or contract which may be thereafter made or entered into by such society; and all religious sects and denominations, demeaning themselves peaceably and as good citizens of the Commonwealth,

shall be equally under the protection of the law; and no subordination of one sect or denomination to another shall ever be established by law."

In the law repealed, religious institutions were to be supported by forced contributions unless voluntarily supported.

And in the law substituted, each member of a society can, at any time, effect a dissolution of his membership with the society, and, thenceforth, is no further liable for its support, or any contracts which such society may enter into. The law, as it now stands, allows of the greatest freedom in all forms of worship, and declares that no subordination of one sect to that of another shall be established by law, and immediately thereafter subjects all tax-payers to a yearly tax in support of churches. At the same time, this tax-payer may be declared by the churches to be a heretic, atheist, or in want of any other religious principle, while the tax-payer may claim to be a deist, and to respect the rights of his neighbor at least. Churches are equally severe upon each other, and, as a matter of conscience, would it not be better for each to support its own?

The law also declares that the members of a society only shall be liable to its support, yet, through the exemption of church property, it requires all to support the church.

These inconsistencies in the law should be made consistent, either by establishing the constitutional right to exempt, or repeal the statute exempting church property. Churches bear the same relations to each other that individuals do in regard to worldly

goods. There are poor and wealthy churches as well as poor and wealthy individuals. Trinity Church of Boston cost $650,000; Trinity Church of New York City holds property to the amount of $15,000,000. What amount of property these churches might absorb in time, would perhaps seriously effect taxable property, and their influence might be such as not to add to the welfare of Government. We, as a Protestant people, have established the right of every person to worship God according to the dictates of their own conscience, allowing the greatest freedom to all, so long as they do not disturb or interfere with the rights of others. This is all that any church or member of society can reasonably ask of Government. Then let us guard well the rights of the State and grant no immunities, but establish in addition to the rights already established in religious matters, that of conscience, repeal the law of exemption, and allow of no infringements of the church upon the rights of the State.

Chapter II. — *Of the Collection of Taxes.*

We give below sections 4, 13, 14, 15, and 16 of the law relating to the collection of taxes in Massachusetts. *They are too disgraceful in their nature to have been enacted in a civilized State, and we are safe in saying no Christian then in the legislature voted for them.*

Section 4. When the credit of a person taxed is considered doubtful by the assessors, they may, by a special warrant, order the collector forthwith to compel payment by distress or imprisonment, whether the tax is made payable immediately, at a future day, by instalments or otherwise.

Section 13. If a person refuses or neglects for fourteen days after demand to pay his tax, and the collector cannot find sufficient goods upon which it may be levied, he may take the body of such person and commit him to prison, there to remain until he pays the tax and charges of commitment and imprisonment, or is discharged by order of law.

Section 14. When the collector commits a person to prison, he shall give the keeper thereof an attested copy of the warrant, with a certificate thereon, under the hand of the collector, setting forth the sum which such person is to pay as his tax, with the cost of taking and committing him, and that upon his having neglected payment for fourteen days, or otherwise, as the case may be, and for want of goods whereof to make distress, he has taken his body.

Section 15. When a person committed to prison for non-payment of taxes, desires to take the oath for relief of poor debtors, he may represent the same to the jailer; and the jailer shall make the same known to some magistrate named in section one, chapter one hundred and twenty-four of the General Statutes; and the magistrate shall thereupon appoint a time and place for the examination of the debtor, and shall direct the jailer to cause the debtor to be present at the same. The notice required in such case to be given to the creditor, may be given to either of the assessors or the collector by whom the party was committed. And the assessors and collector, or any of them, may appear and do all things which a creditor might do in case of arrest on execution. And if the person so committed to prison for the non-payment of taxes is unable to pay the same, he shall be entitled to his discharge in like manner as persons committed on execution.

Section 16. If such person is discharged, the collector shall be liable to pay the tax, with the charges of imprisonment, unless he arrested and committed the party within one year after the tax was committed to him to collect, or unless he is exonerated therefrom by the city, town or parish to which the tax is due.

We have condensed this subject-matter as much as possible, stating the facts as they appear to us, with as few comments as would serve to make it easily

understood, and endeavoring at all times to present the subject impartially, with but one object in view,—equitable taxation.

To our brother debtors we would say, we have undertaken to present this system of equitable taxation to the people for their consideration, based as it is upon your rights, which have been so long ignored; that were the amounts of money paid back to you which you have paid for unjust taxation, it would come near bankrupting the State.

For this we ask your support; read the pamphlet, study its principles, and ask your neighbor to do the same, and through this means, and what may follow, we may be able to establish equitable taxation.

We are indebted mainly for our information upon taxation to the Commissioners' Report of 1875. Also valuable papers in the Appendix of this work from Charles W. Eliot, President of Harvard College; Francis E. Abbot, President Boston Liberal League; William Endicott, Jr., the Taxation of Tangible Things Only; Prof. A. L. Perry, Williams College, Taxation; Albert Bowker, C. J. Holmes, James Adams, L. Maltby, and A. H. Evans, Committee of Associate Savings Banks; Alanson W. Beard, Income Tax, repeal of; George S. Pendergast, Income Tax, against repeal; A. Z. Brown, Income Tax, against repeal; B. F. Stevens, Life Insurance; William Minot, Jr., Taxation in Massachusetts, pamphlet of 73 pages, showing the inconsistencies and injustice of the present law, and advocating exemption of credits.

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